Testimony of the

RECREATION VEHICLE INDUSTRY ASSOCIATION

For the Public Hearing on March 7, 2011

Regarding Senate Bill 1007

AN ACT CONCERNING
THE GOVERNOR'S RECOMMENDATIONS ON REVENUE

To The
Connecticut General Assembly

JOINT COMMITTEE ON FINANCE, REVENUE AND BONDING

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Recreation Vehicle Industry Association
With Regard To 2011 Connecticut Senate Bill 1007

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The Recreation Vehicle Industry Association (RVIA) thanks the co-chairs and ranking members of the Joint Committee for the opportunity to submit written testimony on SB 1007. We regret that a representative of RVIA could not be present at the March 7, 2011 hearing, and respectfully ask that this testimony be included in the official record of the bill.

RVIA is the national trade association that represents the manufacturers and component part suppliers of 98 percent of all recreation vehicles (RVs) produced in the United States. These family camping vehicles include a variety of motor homes and travel trailers (also known as "towable RVs"). The majority of RVIA's members are small business entities as defined by the US Small Business Administration, having fewer than 100 employees.

RVIA strongly opposes the section of SB 1007 which would apply an additional tax on the cost of all motor vehicles in any amount exceeding $50,000, at the rate of 9.25 percent and the proposal to tax the value of a trade-in vehicle.

This objection is based on the following:

- That the Governor's intention is to place an additional tax on luxury automobiles, not family camping vehicles, which are inadvertently included as a consequence of the state's definition of the term "motor vehicle" used in the proposed legislation.
- That the tax is overly-burdensome to young families that purchase family camping vehicles.
- That the tax is disproportionate compared to the low volume of such vehicles sold in the state, by only a few dealers.
- That the RV industry is only now just recovering from its near-devastation in the Great Recession, and, as a low-volume, price-sensitive industry, cannot sustain the impact these taxes will have on its further recovery.

According to the Connecticut General Statutes (CGS) Title 14 §14-1, "motor vehicle" means "any vehicle propelled or drawn by any nonmuscular power," which would include recreation vehicles (motor homes and towable RVs). We believe that the intent of the Governor's revenue proposal (excerpted below) is to apply this tax to luxury automobiles, not to family camping vehicles:

> "OTHER REVENUE CHANGES
>
> The Governor's budget would impose a luxury tax on the sale of certain items at a rate of 3%. <u>Automobiles over $50,000</u>, boats over $100,000, jewelry over $5,000 and clothing over $1,000 would be subject to this new levy only on the increment above those thresholds."

In the RV industry, consumers continue to be very price-conscious. Sales have not recovered to pre-recession levels. If the new taxes are applied to motor homes and travel trailers, it would negatively affect the RV industry in the state, and without a doubt would quash future sales and registration of these vehicles in Connecticut. Not only would that result in lost tax and fee revenue to the state, but it would also severely harm the recreation vehicle dealers in the state, lead to job losses and business closings, and have a ripple effect on the Connecticut businesses that depend on RV dealers' success, as well as the manufacturers who supply recreation vehicles to those dealers.

There are only about 20 RV dealers in Connecticut, who sold a total of 972 RVs of all types in 2010; of those, 247, or about one-quarter, cost over $50,000. Compare this to more than 240 automobile dealers who sold thousands of automobiles in 2010. In 2009, Connecticut alone registered 126,600 new vehicles and had about 1.9 million vehicles on the road. In the RV industry, nationwide, manufacturers in 2008 shipped only 237,000 vehicles of all types to dealers. In 2009, during the recession, manufacturers shipped just 165,700 RVs of all types, nationwide.

Motor homes and travel trailers are not automobiles by any means; they are homes on wheels. Considering 2010 sales data for RVs, about 250 families who purchase a camping vehicle in Connecticut would have incurred considerable additional taxes as proposed in Senate Bill 1007, whereas this might not be the case with "luxury" automobiles. Even a Cadillac Escalade sells in Connecticut for about $65,000; with a downpayment, that buyer is not going to bear nearly the tax burden of an RV purchaser.

Typical RV buyers increasingly are young families with children, who have found that a long-term investment in an RV, which is usually financed over 20 years, also builds family bonds, and saves money. In fact, according to a 2008 study from PKF Consulting, typical family RV trips on average are between 27 percent and 61 percent less expensive on a per day basis that the common car/hotel or fly-and-rent travel.

About 40 percent of RV buyers are high-school graduates, but less than 20 percent are college grads. Among RV owners nationally, 34 percent of families have an income between $50,000 - $100,000 (2010 Harris Interactive Poll for GoRving), compared to 32 percent of families in Connecticut (US Census Bureau, 2009 American Community Survey).

The additional tax imposed by this bill, including the tax on the trade-in, results in an additional tax burden of about $4,000-$5,000 to the family. They either would have to come up with this in cash, or finance it at the going rate over 20 years, which adds considerably to the overall cost of the vehicle.

RVIA strongly believes that Connecticut families should not bear the burden of additional or new taxes on family camping vehicles that afford them a low-cost alternative to other types of travel. Adding taxes to a tiny fraction of Connecticut vehicle sales will not significantly improve the tax picture in Connecticut, but will have a significant negative impact on the livelihood of 20 Connecticut RV dealers, in addition to the businesses that serve the dealerships.

Questions or comments on this testimony should be directed to Christine Siksa, Director, Government Affairs, the Recreation Vehicle Industry Association, 703-620-6003, ext. 363 or csiksa@rvia.org Thank you for your time and attention to this request to exempt Recreation Vehicles, as defined in CGS Title 14-1, from the proposed tax increase on automobiles over $50,000, and the new tax on trade-ins.

Respectfully submitted by

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